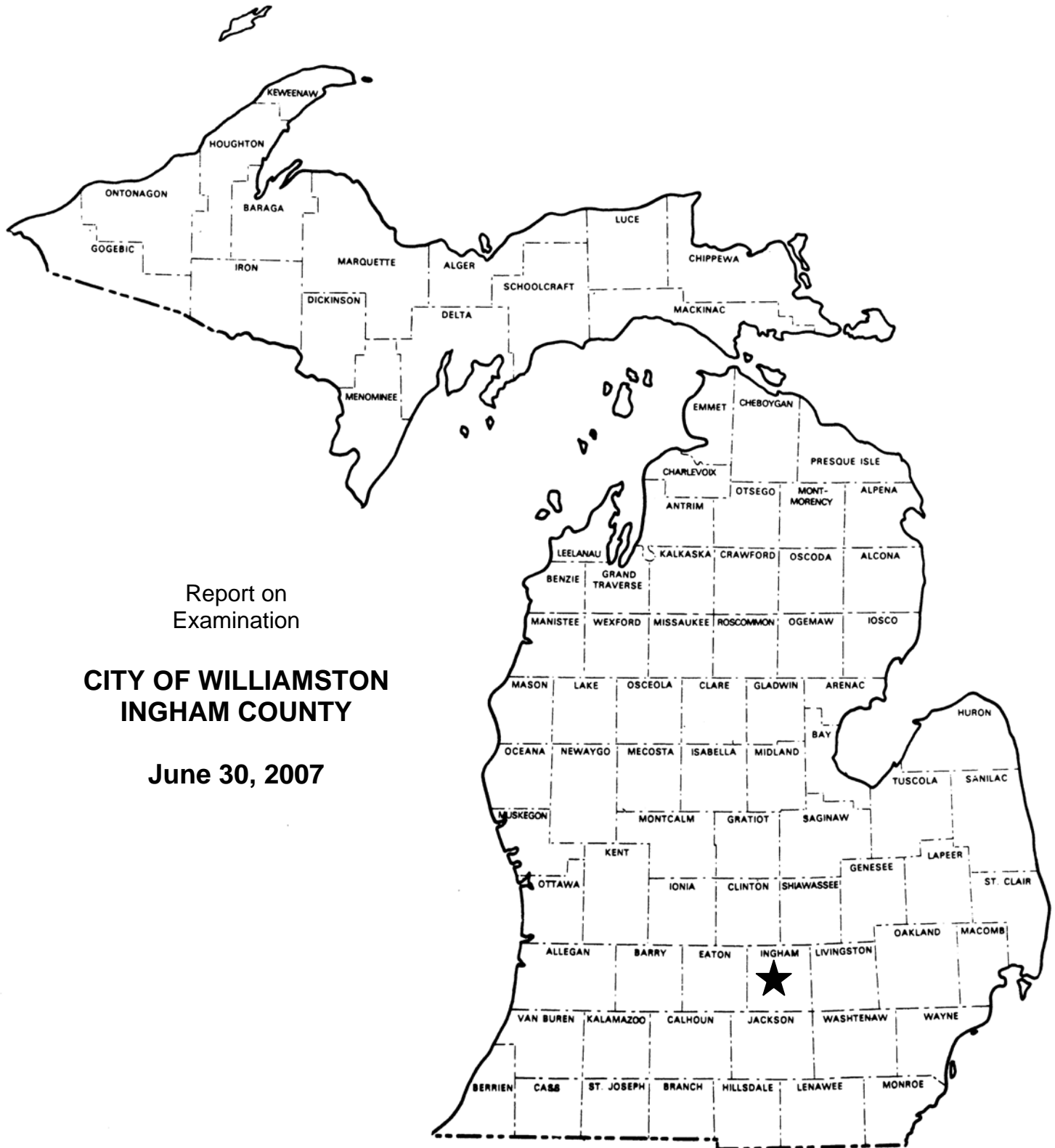


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination
CITY OF WILLIAMSTON
INGHAM COUNTY
June 30, 2007

CITY OF WILLIAMSTON

CITY COUNCIL

Kenneth V. Zichi
Mayor

Robert Hanna
Mayor Pro-tem

Penny Davis
George Monroe

Michelle Hyne
Scott VanAllsburg

Lisa Hitchcock
Manager

Alan Dolley
Treasurer

CITY POPULATION--2000
3,441

STATE EQUALIZED VALUATION—2007
\$142,156,160



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 11, 2007

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Unqualified Opinions on Basic Financial Statements Accompanied by Required
Supplementary Information and Supplemental Information

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of Williamston's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Williamston's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2007, on our consideration of the City of Williamston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 8 and the Budgetary Comparisons for the Major Funds in Exhibits K, L and M are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamston's basic financial statements. The accompanying supplemental information in Exhibits N through W is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

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The following is a discussion and analysis of the City of Williamston's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2007. This analysis should be read in conjunction with the *Independent Auditors Report*, our letter of transmittal, and with the City of Williamston's financial statements, which follows this section.

Financial Highlights

The following represent the most significant financial highlights for the year ended June 30, 2007:

- The City had a significant increase in Governmental Activity net assets due to the addition of East Riverside Avenue preservation/structural improvements to the capital assets schedule.
- The Business-Type Activities, consisting of the Water and Sewer Funds, had year end net assets that increased approximately 2% from the previous year.
- Tax revenue increased 5% from the previous year. This reflects growth in the tax base due mainly to existing home sales and scheduled reassessments.
- The General Fund's revenues exceeded the expenditures by \$536,282. This amount will be added to the fund balance to be used for future projects, services, or shortfalls.
- State-shared revenue, a major source of revenue for the City's General Fund, decreased \$9,046 from \$321,505 in the previous year to \$312,459.

Using this Annual Report

The annual financial report of the City of Williamston consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements); 4) *Required Supplementary Information*, such as budget-to-actual comparisons for the General Fund and Major Special Revenue Funds; and 5) *Other Supplementary Information*, including combining financial statements for all nonmajor governmental and proprietary funds.

Government-Wide Financial Statements (Reporting the City as a Whole)

The Statement of Net Assets and the Statement of Activities provide information about the City, as a whole, and present a longer-term view of the City's finances. Their purpose is to assist in answering the question, "Is the City of Williamston, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the City of Williamston's assets and liabilities, recording the difference between the two as "net assets." Over time, increases or decreases in net assets measure whether the City of Williamston's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City of Williamston's net assets changed during fiscal year 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee personal leave.

Fund Financial Statements (Reporting the City's Major Funds)

The governmental funds financial statements are reported on a *modified accrual basis of accounting*. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Fund financial statements are utilized to track specific operations, these include: the General, Major Street, Local Street, Water and Sewer Funds.

The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Comparison of Government-Wide and Fund Financial Statements

Both statements report governmental activities and business-type activities. Governmental activities include the General Fund, Special Revenue Funds and Debt Service Funds. Business-type activities include the Water and Sewer Funds.

Because of the different basis of accounting between the fund statements and the government-wide statements, reconciliations between the two statement types are also presented in this report. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for personal leave (compensated absences), etc., appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, the government-wide financial statements include the net value of the City of Williamston's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Governmental Activities/Governmental Funds

Most of the City of Williamston's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of Williamston's general government departments such as police, public works, recreation programs, and Major and Local Street maintenance are reported under these activities.

Business-Type Activities/Proprietary Funds

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Discretely Presented Component Units/Fiduciary Funds

Discretely Presented Component Units are legally separate organizations for which the City of Williamston's City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Organizations included as component units: Downtown Development Authority (DDA), Economic Development Corporation (EDC), TIFA 2A and TIFA 2B. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

The City of Williamston as a Whole

Listed below is a summary of the changes in net assets from 2006 as compared to 2007 for the Governmental Activities and the Business-Type Activities:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2006</u>	<u>2007</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current and Other Assets	\$ 1,655,604	\$ 1,636,970	\$ (18,634)	-1%
Capital Assets	3,881,217	4,579,084	697,867	18%
Total Assets	5,536,821	6,216,054	679,233	12%
Other Liabilities	202,461	79,278	(123,183)	-61%
Long-Term Liabilities	2,528,225	2,345,185	(183,040)	-7%
Total Liabilities	2,730,686	2,424,463	(306,223)	-11%
Net Assets				
Invested in Capital Assets				
Net of Related Debt	3,801,815	4,538,637	736,822	19%
Restricted	513,886	302,457	(211,429)	-41%
Unrestricted	(1,509,566)	(1,049,503)	460,063	-30%
Total Net Assets	\$ 2,806,135	\$ 3,791,591	\$985,456	35%
<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2006</u>	<u>2007</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current and Other Assets	\$ 2,198,047	\$ 1,718,877	\$(479,170)	-22%
Capital Assets	14,169,905	14,471,941	302,036	2%
Total Assets	16,367,952	16,190,818	(177,134)	-1%
Current Liabilities	382,908	105,320	(277,588)	-72%
Long-Term Liabilities	5,578,201	5,442,445	(135,756)	-2%
Total Liabilities	5,961,109	5,547,765	(413,344)	-7%
Net Assets				
Invested in Capital Assets				
Net of Related Debt	8,604,160	9,041,702	437,542	5%
Restricted	708,375	180,416	(527,959)	-75%
Unrestricted	1,094,308	1,420,935	326,627	30%
Total Net Assets	\$10,406,843	\$10,643,053	\$ 236,210	2%

The City's combined net assets for both governmental and business-type activities total \$14.3 million for fiscal year 2007.

The following tables of condensed financial information were derived from the government-wide Statement of Activities and reflect how the City of Williamston and its component units' net assets changed during the fiscal year, as compared to the prior fiscal year.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>2006</u>	<u>2007</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 403,677	\$ 504,057	\$ 100,380	25%
Operating Grants and Contributions	235,492	228,177	(7,315)	-3%
Capital Grants and Contributions	635,267	411,726	(223,541)	-35%
General Revenue				
Property Taxes	1,639,651	1,725,708	86,057	5%
State Shared Revenue	321,505	312,459	(9,046)	-3%
Unrestricted Investment Earnings	28,198	56,064	27,866	99%
Special Item--Gain or (Loss) on Disposal of Capital Assets	9,458	9,424	(34)	0%
Total Revenue	<u>3,273,248</u>	<u>3,247,615</u>	<u>(25,633)</u>	<u>-1%</u>
Expenses				
General Government	851,485	837,991	(13,494)	-2%
Public Safety	602,034	631,038	29,004	5%
Public Works	515,381	514,001	(1,380)	0%
Community and Economic Development	182,024	145,548	(36,476)	-20%
Recreation and Culture	77,519	96,953	19,434	25%
Interest on Long-Term Debt	79,104	76,290	(2,814)	-4%
Total Expenses	<u>2,307,547</u>	<u>2,301,821</u>	<u>(5,726)</u>	<u>0%</u>
Increase (Decrease) in Net Assets Before Transfers	965,701	945,794	(19,907)	-2%
Transfers	<u>50,500</u>	<u>(9,500)</u>	<u>(60,000)</u>	<u>-119%</u>
Change in Net Assets	1,016,201	936,294	(79,907)	-8%
Net Assets--Beginning of Year	<u>1,789,934</u>	<u>2,806,135</u>	<u>1,016,201</u>	<u>57%</u>
Net Assets--End of Year	<u>\$2,806,135</u>	<u>\$ 3,742,429</u>	<u>\$ 936,294</u>	<u>33%</u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2006</u>	<u>2007</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 1,420,919	\$ 1,543,437	\$122,518	9%
Capital Grants and Contributions	41,499	97,621	56,122	135%
General Revenue				
Unrestricted Investment Earnings	<u>65,318</u>	<u>73,452</u>	<u>8,134</u>	<u>12%</u>
Total Revenue	<u>1,527,736</u>	<u>1,714,510</u>	<u>186,774</u>	<u>12%</u>
Expenses				
Water and Sewer	<u>1,500,847</u>	<u>1,501,280</u>	<u>433</u>	<u>0%</u>
Total Expenses	<u>1,500,847</u>	<u>1,501,280</u>	<u>433</u>	<u>0%</u>
Increase (Decrease) in Net Assets				
Before Transfers	26,889	213,230	186,341	693%
Transfers	<u>22,440</u>	<u>22,980</u>	<u>540</u>	<u>2%</u>
Change in Net Assets	49,329	236,210	186,881	379%
Net Assets--Beginning of Year	<u>10,357,514</u>	<u>10,406,843</u>	<u>49,329</u>	<u>0%</u>
Net Assets--End of Year	<u><u>\$10,406,843</u></u>	<u><u>\$10,643,053</u></u>	<u><u>\$236,210</u></u>	<u><u>2%</u></u>

City of Williamston, Michigan**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007**

<u>COMPONENT UNITS</u>	<u>2006</u>	<u>2007</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 77,925	\$ 72,318	\$ (5,607)	-7%
Operating Grants and Contributions	22,131	25,820	3,689	17%
Capital Grants and Contributions	7,645		(7,645)	-100%
General Revenue				
Property Taxes	404,049	412,028	7,979	2%
Total Revenue	511,750	510,166	(1,584)	0%
Expenses				
Economic Development Corporation	95,637	86,610	(9,027)	-9%
Tax Increment Finance Authority 2A	21,535	16,864	(4,671)	-22%
Tax Increment Finance Authority 2B	47,911	70,535	22,624	47%
Downtown Development Authority	304,335	246,067	(58,268)	-19%
Total Expenses	469,418	420,076	(49,342)	-11%
Increase (Decrease) in Net Assets				
Before Transfers	42,332	90,090	47,758	113%
Transfers	(72,940)	(13,480)	59,460	-82%
Change in Net Assets	(30,608)	76,610	107,218	-350%
Net Assets--Beginning of Year	394,655	364,047	(30,608)	-8%
Net Assets--End of Year	<u>\$ 364,047</u>	<u>\$ 440,657</u>	<u>\$ 76,610</u>	<u>21%</u>

Budgetary Highlights

The City of Williamston's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is occasionally amended during the course of the fiscal year to reflect changing operational demands. The Treasurer submits a budget statement to the council each month.

The General Fund budget continues to enjoy a strong fund balance which allows for the delivery of services that make this such a nice community. This fund balance needs to be maintained during financially strong years to help in the lean years that lie ahead if the current economy in the State of Michigan continues in its current trend.

The Sewer Fund has begun payment on the balloon phase of the 2001 Refunding Bonds. The original bonds were issued in the 1980's, were then refunded in 1991 with interest only payments until November 2007. In 2001, the 1991 Refunding Bonds were refunded to a lower interest rate saving an estimated \$1,083,000 in interest payments. The ballooning principal payments start in 2007 at \$215,000 and increase to \$505,000 in 2017. The City continues efforts in locating sewer mains that contribute unwanted inflow to the sewer system that cause increased operating costs and reduced capacity.

Economic Factors and Next Year's Budgets and Rates

The current housing market slump, escalating fuel costs, and the loss of many factory jobs in the auto industry and supporting markets could have a devastating affect on available funds that the State passes on to local communities. With the stagnation or reduction in property values the City could see its taxable values reduced, this would lead to reduced tax dollars available to operate the City at current levels. Fuel costs are also a major factor in increasing costs to provide City services, such as snow removal, leaf/branch collection, and police patrols.

Water/Sewer rates for 2007/08 continue to be an item of contention. Rates will need to be increased to cover operating and maintenance costs that continue to exceed inflation due to the specialized nature of their operations. The City has numerous projects that will allow the sewer system to operate more efficiently. These projects will help control the amount of inflow from old leaking sewer lines that will allow the sewer plant to reduce the volume of sewage being treated.

The City is continuing to find ways to contain health care costs. By implementing a high deductible plan, the City is attempting to reduce the initial cost of providing health care to its employees. The City continues to look at alternative ways to keep health care costs under control.

Contacting the City of Williamston

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Williamston's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Williamston Treasurer's Office at (517) 655-2774 or 161 East Grand River Avenue, Williamston, Michigan 48895.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

EXHIBIT A

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash	\$ 245,130	\$ 323,841	\$ 568,971	\$ 157,582
Investments	989,861	941,568	1,931,429	523,839
Receivables (Net)				
Accounts	625	255,200	255,825	-
Assessments	1,094		1,094	
Accrued Interest	1,727		1,727	5,997
Due From Other Funds--Primary Government			-	5,414
Due From Other Funds--Component Units	29,134		29,134	
Internal Balances	94,266	(94,266)	-	
Due From State	238,334		238,334	
Prepaid Expense	36,799		36,799	
Total Current Assets	1,636,970	1,426,343	3,063,313	692,832
Noncurrent Assets				
Restricted Cash		180,416	180,416	6,906
Special Assessments Receivable		112,118	112,118	
Capital Assets--Net of Accumulated Depreciation	4,579,084	14,471,941	19,051,025	2,248,737
Total Noncurrent Assets	4,579,084	14,764,475	19,343,559	2,255,643
Total Assets	6,216,054	16,190,818	22,406,872	2,948,475
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	28,859	4,074	32,933	15,391
Due to Other Funds--Primary Government	133		133	29,134
Due to Other Funds--Component Units	5,414		5,414	
Contract Retainage Payable	24,257	39,893	64,150	
Accrued Interest Payable		57,365	57,365	
Accrued Liabilities	20,615	3,988	24,603	300
Total Current Liabilities	79,278	105,320	184,598	44,825
Noncurrent Liabilities				
Customer Deposits Payable		9,748	9,748	
Bonds Payable--Due Within One Year	45,000	330,000	375,000	85,000
Bonds Payable--Due in More Than One year	1,470,000	5,100,239	6,570,239	1,995,000
Notes Payable--Due Within One Year			-	43,830
Notes Payable--Due in More Than One year			-	339,163
Special Assessments Payable--Due Within One Year	49,162		49,162	
Special Assessments Payable--Due in More Than One Year	688,265		688,265	
Capital Lease Payable--Due Within One Year	37,518		37,518	
Capital Lease Payable--Due in More Than One Year	2,929		2,929	
Vested Employee Benefits Payable	52,311	2,458	54,769	
Total Noncurrent Liabilities	2,345,185	5,442,445	7,787,630	2,462,993
Total Liabilities	2,424,463	5,547,765	7,972,228	2,507,818

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

EXHIBIT A
(CONTINUED)

	PRIMARY GOVERNMENT			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>NET ASSETS</u>				
Investment in Capital Assets--Net of Related Debt	4,538,637	9,041,702	13,580,339	1,500,744
Restricted for				
Debt Service	338		338	
Major and Local Streets	255,650		255,650	
Building Permits	46,469		46,469	
Economic Development Programs			-	17,769
Downtown Development Activities			-	(1,573,520)
Tax Increment Finance Plans			-	495,664
Sewer and Water Improvements		180,416	180,416	
Unrestricted	(1,049,503)	1,420,935	371,432	
Total Net Assets	<u>\$ 3,791,591</u>	<u>\$ 10,643,053</u>	<u>\$ 14,434,644</u>	<u>\$ 440,657</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

EXHIBIT B

<u>Functions/Programs</u>	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 837,991	\$ 271,356		
Public Safety	631,038	57,959	\$ 1,508	
Public Works	514,001	174,742	226,669	\$ 411,726
Community and Economic Development	145,548			
Recreation and Culture	96,953			
Interest on Long-Term Debt	76,290			
Total Governmental Activities	2,301,821	504,057	228,177	411,726
Business-Type Activities				
Sewer	1,006,090	849,156	-	54,003
Water	495,190	694,281	-	43,618
Total Business-Type Activities	1,501,280	1,543,437	-	97,621
Total Primary Government	\$ 3,803,101	\$ 2,047,494	\$ 228,177	\$ 509,347
Component Units				
Economic Development Corporation	\$ 86,610	\$ 72,318	-	-
Tax Increment Finance Authority 2A	16,864	-	\$ 5,850	-
Tax Increment Finance Authority 2B	70,535	-	17,998	-
Downtown Development Authority	246,067	-	1,972	-
Total Component Units	\$ 420,076	\$ 72,318	\$ 25,820	\$ -

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
<u>Functions/Programs</u>	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Major Component Units
Primary Government			
Governmental Activities			
General Government	\$ (566,635)		\$ (566,635)
Public Safety	(571,571)		(571,571)
Public Works	299,136		299,136
Community and Economic Development	(145,548)		(145,548)
Recreation and Culture	(96,953)		(96,953)
Interest on Long-Term Debt	(76,290)		(76,290)
Total Governmental Activities	(1,157,861)	\$ -	(1,157,861)
Business-Type Activities			
Sewer		(102,931)	(102,931)
Water		242,709	242,709
Total Business-Type Activities	-	139,778	139,778
Total Primary Government	\$ (1,157,861)	\$ 139,778	\$ (1,018,083)
Component Units			
Economic Development Corporation			\$ (14,292)
Tax Increment Finance Authority 2A			(11,014)
Tax Increment Finance Authority 2B			(52,537)
Downtown Development Authority			(244,095)
Total Component Units	\$ -	\$ -	\$ (321,938)
General Revenues			
Property Taxes	\$ 1,725,708		\$ 1,725,708
State-Shared Revenues	312,459		312,459
Unrestricted Investment Earnings	56,064	\$ 73,452	129,516
Special Item--Gain on Disposal of Capital Assets	9,424		9,424
Transfers			
Transfers In From Primary Government	-	9,500	9,500
Transfers In From Component Units	-	13,480	13,480
Transfers (Out) to Primary Government	(9,500)		(9,500)
Total General Revenues--Special Items and Transfers	2,094,155	96,432	2,190,587
Change in Net Assets	936,294	236,210	1,172,504
Net Assets--Beginning	2,806,135	10,406,843	13,212,978
Net Assets--Ending	\$ 3,742,429	\$ 10,643,053	\$ 14,385,482

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

EXHIBIT C

MAJOR GOVERNMENTAL FUNDS					
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 182,834	\$ 22,747	\$ 39,549		\$ 245,130
Investments	899,182	54,170	36,509		989,861
Receivables					
Accounts	-			\$ 625	625
Special Assessments	1,094				1,094
Accrued Interest	1,727				1,727
Due From Other Funds--Primary Government	126,530	3,579	1,815	48,923	180,847
Due From Other Funds--Component Units	29,134				29,134
Due From State	101,012	102,018	35,304		238,334
Prepaid Expenses	36,799				36,799
Total Assets	<u>\$ 1,378,312</u>	<u>\$ 182,514</u>	<u>\$ 113,177</u>	<u>\$ 49,548</u>	<u>\$ 1,723,551</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 24,001	\$ 1,620	\$ 497	\$ 2,741	\$ 28,859
Due to Other Funds--Primary Government	49,056	16,189	\$ 21,469		86,714
Due to Other Funds--Component Units	5,414				5,414
Accrued Liabilities	20,349	142	124	-	20,615
Escrow Deposits Payable	24,257				24,257
Deferred Revenue	1,094				1,094
Total Liabilities	<u>124,171</u>	<u>17,951</u>	<u>22,090</u>	<u>2,741</u>	<u>166,953</u>
Fund Balances					
Reserved for					
Debt Service				338	338
Major and Local Streets		164,563	91,087		255,650
Building and Zoning				46,469	46,469
Unreserved--Undesignated	<u>1,254,141</u>				<u>1,254,141</u>
Total Fund Equity	<u>1,254,141</u>	<u>164,563</u>	<u>91,087</u>	<u>46,807</u>	<u>1,556,598</u>
Total Liabilities and Fund Equity	<u>\$ 1,378,312</u>	<u>\$ 182,514</u>	<u>\$ 113,177</u>	<u>\$ 49,548</u>	<u>\$ 1,723,551</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
RECONCILIATION OF FUND BALANCES ON
THE BALANCE SHEET FOR GOVERNMENTAL
FUNDS TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2007**

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 1,556,598
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add--Capital Assets	5,961,168
Deduct--Accumulated Depreciation	<u>(1,382,084)</u>

Net Capital Asset Addition	<u>4,579,084</u>
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Revenues that do not provide current financial resources are not reported as revenue in the funds.	1,094
--	-------

Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Deduct--Long-Term Debt	(2,292,874)
Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(52,311)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,791,591</u></u>
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The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

EXHIBIT D

MAJOR GOVERNMENTAL FUNDS					
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 1,725,708				\$ 1,725,708
Licenses and Permits	20,204			\$ 29,214	49,418
Federal Grants		\$ 364,098			364,098
State Grants	313,967	211,459	\$ 53,392		578,818
Charges for Services	18,973			10,420	29,393
Fines and Forfeits	6,793				6,793
Interest and Rentals	223,419	7,131	2,315		232,865
Other Revenue	323,576	936	-		324,512
Total Revenues	2,632,640	583,624	55,707	39,634	3,311,605
Expenditures					
Current					
General Government	833,903				833,903
Public Safety	537,140			71,692	608,832
Public Works	292,223	833,973	76,980		1,203,176
Community and Economic Development	146,128				146,128
Recreation and Cultural	93,228				93,228
Capital Outlay	151,740				151,740
Debt Service					
Principal	38,955			45,000	83,955
Interest and Fiscal Fees	3,041			73,249	76,290
Total Expenditures	2,096,358	833,973	76,980	189,941	3,197,252
Excess of Revenues Over (Under) Expenditures	536,282	(250,349)	(21,273)	(150,307)	114,353
Other Financing Sources (Uses)					
Interfund Transfers In					
Primary Government		-	135,000	183,660	318,660
Interfund Transfers (Out)--Primary Government	(220,000)		(108,160)		(328,160)
Total Other Financing Sources (Uses)	(220,000)	-	26,840	183,660	(9,500)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	316,282	(250,349)	5,567	33,353	104,853
Fund Balance--July 1, 2006	937,859	414,912	85,520	13,454	1,451,745
Fund Balance--June 30, 2007	\$ 1,254,141	\$ 164,563	\$ 91,087	\$ 46,807	\$ 1,556,598

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 104,853

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	910,004
Deduct--Depreciation Expense	(148,451)
Deduct--Capital Asset Disposal	(63,686)

Revenues earned but not available for current resources are not reported in the funds.

Sidewalk Special Assessments	(304)
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Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	133,117
--	---------

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures
in the funds.

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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 936,294

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
<u>ASSETS</u>			
Current Assets			
Cash	\$ 165,373	\$ 158,468	\$ 323,841
Investments	684,593	256,975	941,568
Customer Accounts Receivable	143,356	111,034	254,390
Accounts Receivable		810	810
Total Current Assets	993,322	527,287	1,520,609
Noncurrent Assets			
Restricted Cash	91,207	89,209	180,416
Special Assessments Receivable	112,118		112,118
Capital Assets--Net of Accumulated Depreciation	10,158,316	4,313,625	14,471,941
Total Noncurrent Assets	10,361,641	4,402,834	14,764,475
Total Assets	11,354,963	4,930,121	16,285,084
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	1,020	3,054	4,074
Due to Other Funds--Primary Government	48,099	46,167	94,266
Contract Retainage Payable		39,893	39,893
Accrued Interest Payable	36,621	20,744	57,365
Accrued Liabilities	2,396	1,592	3,988
Total Current Liabilities	88,136	111,450	199,586
Noncurrent Liabilities			
Customer Deposits Payable		9,748	9,748
Bonds Payable--Due Within One Year	300,000	30,000	330,000
Bonds Payable--Net of Unamortized Discounts Due in More Than One Year	3,735,239	1,365,000	5,100,239
Vested Employee Benefits Payable	2,458		2,458
Total Noncurrent Liabilities	4,037,697	1,404,748	5,442,445
Total Liabilities	4,125,833	1,516,198	5,642,031
<u>NET ASSETS</u>			
Invested in Capital Assets--Net of Related Debt	6,123,077	2,918,625	9,041,702
Restricted for Sewer and Water Improvements	91,207	89,209	180,416
Unrestricted	1,014,846	406,089	1,420,935
Total Net Assets	\$ 7,229,130	\$ 3,413,923	\$ 10,643,053

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended June 30, 2007

EXHIBIT F

	<u>BUSINESS-TYPE ACTIVITIES</u>		Total Enterprise Funds
	Sewer	Water	
Operating Revenues			
Water Sales		\$ 684,130	\$ 684,130
Sewage Disposal Services	\$ 849,156		849,156
Other		10,151	10,151
Total Operating Revenues	849,156	694,281	1,543,437
Operating Expenses			
Salaries and Wages	165,121	109,794	274,915
Fringe Benefits	71,325	47,494	118,819
Administrative Expenses	45,000	40,000	85,000
Contractual Services	22,605	18,189	40,794
Equipment Repair and Maintenance	32,500	6,396	38,896
Utilities	85,521	16,966	102,487
Insurance	9,813	3,872	13,685
Other Supplies and Expenses	64,597	111,133	175,730
Depreciation	299,657	77,667	377,324
Total Operating Expenses	796,139	431,511	1,227,650
Operating Income (Loss)	53,017	262,770	315,787
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue	43,817	18,023	61,840
Interest on Special Assessments	11,612		11,612
Interest Expense	(195,456)	(63,679)	(259,135)
Bond Amortization Expense	(14,495)		(14,495)
Total Nonoperating Revenues (Expenses)	(154,522)	(45,656)	(200,178)
Income (Loss) Before Contributions and Transfers	(101,505)	217,114	115,609
Capital Contributions	54,003	43,618	97,621
Interfund Transfers			
Transfers In	81,425	9,500	90,925
Transfers (Out)		(67,945)	(67,945)
Change in Net Assets	33,923	202,287	236,210
Total Net Assets--July 1, 2006	7,195,207	3,211,636	10,406,843
Total Net Assets--June 30, 2007	\$7,229,130	\$3,413,923	\$10,643,053

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

EXHIBIT G

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	Sewer	Water	Total Enterprise Funds
Cash Flows From Operating Activities			
Charges for Services	\$ 839,858	\$ 679,387	\$ 1,519,245
Miscellaneous		10,151	10,151
Goods and Services Purchased	(215,995)	(337,279)	(553,274)
Salaries and Fringes	(281,718)	(198,131)	(479,849)
Net Cash Provided by Operating Activities	342,145	154,128	496,273
Cash Flows From Noncapital Financing Activities			
Customer Deposits		(250)	(250)
Operating Transfers In From Other Funds	67,945	9,500	77,445
Operating Transfers In From Component Units	13,480		13,480
Operating Transfers (Out) to Other Funds	-	(67,945)	(67,945)
Due to Other Funds	30,270	(60,603)	(30,333)
Net Cash Flows From Noncapital Financing Activities	111,695	(119,298)	(7,603)
Cash Flows From Capital and Related Financing Activities			
Collection of Customer Assessments	57,365		57,365
Interest on Special Assessments	11,612		
Due to State	(51,510)	(41,604)	(93,114)
Acquisition of Capital Assets	(241,536)	(437,825)	(679,361)
Capital Contributions	54,003	43,618	97,621
Principal Paid on Debt	(105,506)	(30,000)	(135,506)
Interest Paid on Debt	(196,759)	(64,053)	(260,812)
Bond Amortization Expense	(14,495)	-	(14,495)
Net Cash Provided (Used) by Capital and Related Financing Activities	(486,826)	(529,864)	(1,028,302)
Cash Flows From Investing Activities			
Interest on Cash	43,817	18,023	61,840
Sale (Purchase) of Investments	39,891	(85,139)	(45,248)
Net Cash Provided by Investing Activities	83,708	(67,116)	16,592
Net Increase in Cash and Cash Equivalents	50,722	(562,150)	(523,040)
Cash at Beginning of the Year	205,858	809,827	1,015,685
Cash at End of the Year	\$ 256,580	\$ 247,677	\$ 504,257
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 53,017	\$ 262,770	\$ 315,787
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	299,657	77,667	377,324
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(9,298)	(4,743)	(14,041)
Increase (Decrease) in Accounts Payable	(959)	(180,723)	(181,682)
Increase (Decrease) in Accrued Liabilities	(272)	(843)	(1,115)
Net Cash Provided by Operating Activities	\$ 342,145	\$ 154,128	\$ 496,273

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2007**

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 2,499
Due From Other Funds--Primary Government	<u>133</u>
Total Assets	<u><u>\$ 2,632</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	
Due to Other Governmental Units	<u>2,632</u>
Total Liabilities	<u><u>\$ 2,632</u></u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF NET ASSETS
MAJOR COMPONENT UNITS
June 30, 2007

EXHIBIT I

	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 47,162	\$ 8,267	\$ 46,706	\$ 55,447	\$ 157,582
Investments		105,750	331,405	86,684	523,839
Accrued Interest Receivable		3,082	2,915		5,997
Due From Other Funds--Primary Government		3,126		2,288	5,414
Total Current Assets	47,162	120,225	381,026	144,419	692,832
Noncurrent Assets					
Restricted Cash				6,906	6,906
Capital Assets (Net of Accumulated Depreciation)	823,242	113,162	209,022	1,103,311	2,248,737
Total Noncurrent Assets	823,242	113,162	209,022	1,110,217	2,255,643
Total Assets	870,404	233,387	590,048	1,254,636	2,948,475
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	152	-	5,587	9,652	15,391
Accrued Liabilities	107			193	300
Due to Other Funds--Primary Government	29,134	-	-	-	29,134
Total Current Liabilities	29,393	-	5,587	9,845	44,825
Noncurrent Liabilities					
Bonds Payable--Due Within One Year				85,000	85,000
Bonds Payable--Due in More Than One Year				1,995,000	1,995,000
Notes Payable--Due Within One Year	43,830				43,830
Notes Payable--Due in More Than One Year	339,163				339,163
Total Noncurrent Liabilities	382,993	-	-	2,080,000	2,462,993
Total Liabilities	412,386	-	5,587	2,089,845	2,507,818
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt Restricted for	440,249	113,162	209,022	738,311	1,500,744
Economic Development Programs	17,769				17,769
Downtown Development Plan				(1,573,520)	(1,573,520)
Tax Increment Finance Plans		120,225	375,439		495,664
Total Net Assets	\$ 458,018	\$ 233,387	\$ 584,461	\$ (835,209)	\$ 440,657

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING STATEMENT OF ACTIVITIES
MAJOR COMPONENT UNITS
For the Year Ended June 30, 2007

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
Economic Development Corporation									
Community and Economic Development	\$ 62,182	\$ 72,318			\$ 10,136				\$ 10,136
Interest on Related Debt	24,428				(24,428)				(24,428)
Total Economic Development Corporation	86,610	72,318	\$ -	\$ -	(14,292)	\$ -	\$ -	\$ -	(14,292)
Tax Increment Finance Authority 2A									
Community and Economic Development	16,864		5,850			(11,014)			(11,014)
Total Tax Increment Finance Authority 2A	16,864	-	5,850	-	-	(11,014)	-	-	(11,014)
Tax Increment Finance Authority 2B									
Community and Economic Development	70,535		17,998				(52,537)		(52,537)
Total Tax Increment Finance Authority 2B	70,535	-	17,998	-	-	-	(52,537)	-	(52,537)
Downtown Development Authority									
Community and Economic Development	148,909	-	1,972	-				(146,937)	(146,937)
Interest and Other Expenses on Related Debt	97,158							(97,158)	(97,158)
Total Downtown Development Authority	\$ 246,067	\$ -	\$ 1,972	\$ -	-	-	-	(244,095)	(244,095)
General Revenues									
Property Taxes						-	-	412,028	412,028
Transfers					-	(13,480)	-	-	(13,480)
Total General Revenues					-	(13,480)	-	412,028	398,548
Change in Net Assets					(14,292)	(24,494)	(52,537)	167,933	76,610
Net Assets--Beginning of Year					472,310	257,881	636,998	(1,003,142)	364,047
Net Assets--End of Year					\$ 458,018	\$ 233,387	\$ 584,461	\$ (835,209)	\$ 440,657

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Williamston conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Williamston:

Reporting Entity

The City of Williamston encompasses an area of approximately 2.6 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit.

The city was incorporated in 1963 as a home rule city under the council-manager form of government. The city council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the city, and the mayor pro-tem are elected by the council from among its members. The city manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other city administrative officers are appointed by the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component units total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority

The Downtown Development Authority was created under the provisions of Public Act 197 of 1975, as amended, to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the city council. In addition, the authority's budget is subject to approval by the city council.

Economic Development Corporation

The Economic Development Corporation was created under the provisions of Public Act 338 of 1974, as amended, to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the city to provide needed services and facilities to the residents of the city. The corporation's governing body, which consists of nine individuals, is selected by the city council.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created under the provisions of Public Act 450 of 1980, as amended, to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the city council and consists of nine individuals.

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in city hall:

Administrative Offices

City of Williamston
161 East Grand River Avenue
Williamston, MI 48895

JOINTLY GOVERNED ORGANIZATIONS

The city is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of Northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the authority can be obtained from the Community Fire Board offices at 627 East Grand River, Williamston, Michigan 48895. Note: The NIESA expects to move to 1296 West Grand River, Williamston, Michigan 48895 in December 2007

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The city reports the following major governmental funds:

The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenues and expenditures for the construction and maintenance of the major street system.

The Local Street Fund accounts for revenues and expenditures for the construction and maintenance of the local street system.

The city reports the following major proprietary funds:

The Sewer Fund accounts for the revenues and expenses for the operation of the sewer system.

The Water Fund accounts for the revenues and expenses for the operation of the water system.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued subsequent to November 30, 1989, in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed.

Deposits and Investments

The cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Inventories and Prepaid Items

No inventory is maintained. Payments for supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets for the primary government, component units and enterprise funds, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 to 30 Years
Buildings	10 to 50 Years
Office Equipment	4 to 10 Years
Machinery and Equipment	7 to 10 Years
Vehicles	4 to 7 Years
Infrastructure--Roads	8 to 30 Years
Infrastructure--Bridges	12 to 50 Years

Compensated Absences (Vacation and Sick Leave)

It is the city's policy to permit employees to accumulate earned sick and vacation pay benefits for all of the employees. The liability for unpaid accumulated sick leave is 50% of the time available according to the city's union contracts and personnel policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

The transfers of cash between the various city funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the city council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The city's annual budget is adopted on a departmental basis at the activity level. The city council monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The city has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of the amount appropriated in the amended budget for the activities of the General Fund and special revenue funds as follows:

	Final Amended Budget	Actual	Variance (Unfavorable)
General Fund			
General Government			
Buildings and Grounds	\$ 263,250	\$ 268,190	\$ (4,940)
Public Safety			
Police	530,095	536,640	(6,545)
Recreational and Cultural			
Parks and Recreation	74,500	79,451	(4,951)
Major Street Fund			
Public Works			
Preservation/Structural Improvements	735,500	758,264	(22,764)
Surface Maintenance	21,622	21,890	(268)
Sweeping/Flushing	15,101	21,955	(6,854)
Local Street Fund			
Public Works			
Surface Maintenance	23,647	26,202	(2,555)
Sweeping/Flushing	15,080	20,854	(5,774)

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the city to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The Williamston City Council has designated four banks for the deposit of city funds. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The city's deposits and investment policy are in accordance with statutory authority.

The risk disclosures for the City's deposits at June 30, 2007, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	PRIMARY GOVERNMENT			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 245,130	\$ 323,841	\$2,499	\$ 571,470
Restricted Cash		180,416		180,416
Investments	<u>989,861</u>	<u>941,568</u>	<u></u>	<u>1,931,429</u>
Total	<u>\$1,234,991</u>	<u>\$1,445,825</u>	<u>\$2,499</u>	<u>\$2,683,315</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 751,256	\$ 164,488
Investments in Securities, Mutual Funds and Similar Vehicles	1,931,429	523,839
Petty Cash and Cash on Hand	<u>630</u>	<u></u>
Total	<u>\$ 2,683,315</u>	<u>\$ 688,327</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the primary government's deposits is \$1,065,260, of which \$200,000 is covered by Federal depository insurance. The bank balance of the component units' deposits is \$167,389, of which \$106,906 is covered by Federal depository insurance.

Investments Authorized by the City's Investment Policy

The city's investment policy only authorizes investment in all those that are authorized by law. The city has limited their investments to money markets. The city's investment policy contains provisions intended to limit the city's exposure to interest rate risk, credit risk, and concentration of credit risk. The Board has a GASB Statement No. 40 compliant investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the city manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2007, the city had the following investments:

	REPORTED AMOUNT (FAIR VALUE)	
	Primary Government	Component Units
Investments		
Money Market (MM)	\$ 1,981	
Government Operating MM	1,929,448	\$ 523,839
Total Primary Government	<u>\$1,931,429</u>	<u>\$ 523,839</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market issued through Chase Bank totaling \$1,025,913 have received an Aaa rating from Moody's Investors Service and the Government Operating Money Market issued through MBIA totaling \$1,164,354 have received an AAA rating from Fitch Ratings.

The city's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the city's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the city's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each July 1st on the taxable valuation of property located in the city as of the preceding December 31st. The city's property taxes were levied and collectible on July 1, 2006. It is the policy of the City of Williamston to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2006 State Taxable Valuation was \$115,874,355 (net of captured taxes), on which ad valorem taxes levied consisted of 15.1342 mills and raised \$1,753,666 for city operations. This is recorded as revenue in the General Fund, which also includes mobile home specific taxes, penalties, interest and administrative fees for a total of \$1,725,708 (net of tax tribunal refunds and DDA captured taxes of \$111,114).

NOTE E--RECEIVABLES

Special Assessments Receivable-Governmental Funds

The city collects special assessments in the General Fund and the Sewer Fund to collect for expenses incurred by the township to replace sidewalks and create the sewer system. As of June 30, 2007, the General Fund had a special assessment receivable balance of \$1,094 offset by deferred revenue. The Sewer Fund has special assessments receivable of \$112,118.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES (Continued)Accounts Receivable

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the city. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$143,356 and \$111,034, respectively.

NOTE F--CAPITAL ASSETSPrimary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 373,217			\$ 373,217
Land Improvements	317,395			317,395
Construction in Progress	1,802,046	\$ 493,226	\$ 1,599,767	695,505
Subtotal	2,492,658	493,226	1,599,767	1,386,117
Capital Assets Being Depreciated				
Land Improvements	257,036			257,036
Buildings	506,786			506,786
Office Equipment	59,579			59,579
Machinery and Equipment	364,339	73,000	74,300	363,039
Vehicles	699,085	31,597		730,682
Infrastructure	745,981	1,911,948		2,657,929
Subtotal	2,632,806	2,016,545	74,300	4,575,051
Less Accumulated Depreciation for				
Land Improvements	169,486	11,316		180,802
Buildings	221,883	11,725		233,608
Office Equipment	55,923	3,485		59,408
Machinery and Equipment	296,677	11,906	10,614	297,969
Vehicles	448,450	74,302		522,752
Infrastructure	51,828	35,717		87,545
Subtotal	1,244,247	148,451	10,614	1,382,084
Net Capital Assets Being Depreciated	1,388,559	1,868,094	63,686	3,192,967
Total Capital Assets--Net of Depreciation	\$ 3,881,217	\$ 2,361,320	\$ 1,663,453	\$ 4,579,084

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 7,745
Public Safety	21,334
Public Works	115,647
Culture and Recreation	<u>3,725</u>
Total Depreciation--Governmental Activities	<u><u>\$ 148,451</u></u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 436,557			\$ 436,557
Construction in Progress--Water and Sewer Systems	<u>1,076,256</u>	<u>\$ 675,782</u>		<u>1,752,038</u>
Subtotal	<u>1,512,813</u>	<u>675,782</u>	<u>\$ -</u>	<u>2,188,595</u>
Capital Assets Being Depreciated				
Water and Sewer System	17,200,975	3,578	(570,797) a	16,633,756
Equipment	<u>602,478</u>		<u>(59,991) a</u>	<u>542,487</u>
Subtotal	<u>17,803,453</u>	<u>3,578</u>	<u>(630,788)</u>	<u>17,176,243</u>
Less: Accumulated Depreciation for				
Water and Sewer System	4,878,777	346,040	(570,798) a	4,654,019
Equipment	<u>267,584</u>	<u>31,283</u>	<u>(59,989) a</u>	<u>238,878</u>
Subtotal	<u>5,146,361</u>	<u>377,323</u>	<u>(630,787)</u>	<u>4,892,897</u>
Net Capital Assets Being Depreciated	<u>12,657,092</u>	<u>(373,745)</u>	<u>(1) a</u>	<u>12,283,346</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 14,169,905</u></u>	<u><u>\$ 302,037</u></u>	<u><u>\$ (1)</u></u>	<u><u>\$14,471,941</u></u>

a = Correction of prior year errors due to reduction in assets and depreciation for assets disposed of during fiscal year ending June 30, 2006.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to business-type programs of the primary government as follows:

Business-Type Funds	
Water	\$ 77,667
Sewer	<u>299,656</u>
Total Business-Type Funds	<u>\$377,323</u>

Component Units

Capital asset activity of the Economic Development Corporation (EDC) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 30,000</u>	<u></u>	<u></u>	<u>\$ 30,000</u>
Subtotal	<u>30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>30,000</u>
Capital Assets Being Depreciated				
Land Improvements	15,510			15,510
Buildings	1,014,165			1,014,165
Machinery and Equipment	<u>19,219</u>	<u>16,941</u>	<u>19,219</u>	<u>16,941</u>
Subtotal	<u>1,048,894</u>	<u>16,941</u>	<u>19,219</u>	<u>1,046,616</u>
Less Accumulated Depreciation for				
Land Improvements	5,158	722		5,880
Buildings	213,706	29,553		243,259
Machinery and Equipment	<u>4,805</u>	<u>4,235</u>	<u>4,805</u>	<u>4,235</u>
Subtotal	<u>223,669</u>	<u>34,510</u>	<u>4,805</u>	<u>253,374</u>
Net Capital Assets Being Depreciated	<u>825,225</u>	<u>(17,569)</u>	<u>14,414</u>	<u>793,242</u>
Total Capital Assets--Net of Depreciation	<u>\$ 855,225</u>	<u>\$ (17,569)</u>	<u>\$ 14,414</u>	<u>\$ 823,242</u>

Depreciation expense for the year was \$34,510.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 144,093			\$ 144,093
Land Improvements	153,855			153,855
Construction in Progress	<u>625,321</u>		<u>\$625,321</u>	<u>-</u>
Subtotal	<u>923,269</u>	<u>\$ -</u>	<u>625,321</u>	<u>297,948</u>
Capital Assets Being Depreciated				
Land Improvements	305,428	649,322		954,750
Buildings	155,708			155,708
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>475,136</u>	<u>649,322</u>	<u>-</u>	<u>1,124,458</u>
Less Accumulated Depreciation for				
Land Improvements	219,388	14,526		233,914
Buildings	66,732	4,449		71,181
Machinery and Equipment	<u>14,000</u>			<u>14,000</u>
Subtotal	<u>300,120</u>	<u>18,975</u>	<u>-</u>	<u>319,095</u>
Net Capital Assets Being Depreciated	<u>175,016</u>	<u>630,347</u>	<u>-</u>	<u>805,363</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,098,285</u>	<u>\$630,347</u>	<u>\$625,321</u>	<u>\$ 1,103,311</u>

Depreciation expense for the year was \$18,975.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2A for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 62,871			\$ 62,871
Subtotal	<u>62,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>62,871</u>
Capital Assets Being Depreciated				
Land Improvements	55,879			55,879
Subtotal	<u>55,879</u>	<u>-</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for				
Land Improvements	<u>3,726</u>	<u>1,862</u>		<u>5,588</u>
Subtotal	<u>3,726</u>	<u>1,862</u>	<u>-</u>	<u>5,588</u>
Net Capital Assets Being Depreciated	<u>52,153</u>	<u>1,862</u>		<u>50,291</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 115,024</u></u>	<u><u>\$ (1,862)</u></u>	<u><u>\$ -</u></u>	<u><u>\$113,162</u></u>

Depreciation expense for the year was \$1,862.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2B for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$112,694</u>	<u> </u>	<u> </u>	<u>\$112,694</u>
Subtotal	<u>112,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>112,694</u>
Capital Assets Being Depreciated				
Land Improvements	4,491			4,491
Buildings	<u>110,157</u>	<u> </u>	<u> </u>	<u>110,157</u>
Subtotal	<u>114,648</u>	<u>-</u>	<u>-</u>	<u>114,648</u>
Less Accumulated Depreciation for				
Land Improvements	1,347	449		1,796
Buildings	<u>11,016</u>	<u>5,508</u>	<u> </u>	<u>16,524</u>
Subtotal	<u>12,363</u>	<u>5,957</u>	<u>-</u>	<u>18,320</u>
Net Capital Assets Being Depreciated	<u>102,285</u>	<u>(5,957)</u>	<u> </u>	<u>96,328</u>
Total Capital Assets--Net of Depreciation	<u><u>\$214,979</u></u>	<u><u>\$ (5,957)</u></u>	<u><u>\$ -</u></u>	<u><u>\$209,022</u></u>

Depreciation expense for the year was \$5,957.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The amounts of the interfund receivables and payables between funds of the primary government and component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<u>Primary Government</u>			
General	\$ 126,530	Major Street	\$ 14,374
		Local Street	21,469
		Sewer	48,099
		Water	42,588
Major Street	3,579	Water	3,579
Local Street	1,815	Major Street	1,815
Tax Collection--Fudiciary	133		
Non-Major Governmental	<u>48,923</u>	General	<u>49,056</u>
Total Primary Government	<u>\$ 180,980</u>		<u>\$ 180,980</u>
<u>Primary Government</u>		<u>Component Units</u>	
General	<u>\$ 29,134</u>	Economic Development Corporation	<u>\$ 29,134</u>
Total Primary Government	<u>\$ 29,134</u>	Total Component Units	<u>\$ 29,134</u>
<u>Component Units</u>		<u>Primary Government</u>	
Tax Increment Finance Authority 2A	3,126	General	5,414
Downtown Development Authority	<u>2,288</u>		
Total Component Units	<u>\$ 5,414</u>	Total Primary Government	<u>\$ 5,414</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS
(Continued)

The 2007 operating transfers from Exhibits D, F and J can be summarized as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Funds</u>	<u>Transfers (Out)</u>
<u>Primary Government</u>			
Major Street		General	\$ 220,000
Local Street	\$ 135,000		
Non-Major Governmental	75,500		
Water	9,500		
Non-Major Governmental	108,160	Local Street	108,160
Sewer	<u>67,945</u>	Water	<u>67,945</u>
Total Primary Government	<u>396,105</u>		<u>396,105</u>
<u>Primary Government</u>			
		<u>Component Units</u>	
Sewer	<u>13,480</u>	Tax Increment Finance Authority 2A	<u>13,480</u>
Total Primary Government	<u>13,480</u>	Total Component Units	<u>13,480</u>
Total Reporting Entity	<u><u>\$409,585</u></u>		<u><u>\$ 409,585</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE H--LEASES

Capital Leases

The city has entered into an installment purchase agreement on June 25, 2003 as lessee for financing the purchase of a Vactor sewer cleaner. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value, are as follows:

<u>Year Ended</u> <u>June 30</u>	
2008	<u>\$41,996</u>
Total Minimum Lease Payments	<u>41,996</u>
Less: Amount Representing Interest 2008	<u>1,549</u>
Total Amount Representing Interest	<u>1,549</u>
Present Value	<u><u>\$40,447</u></u>

NOTE I--LONG-TERM DEBT

The city issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the city. City contractual agreements and installment purchase agreements are also general obligations of the city. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Balance 07/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/07</u>	<u>Due Within One Year</u>
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10% for Tobias/Linn Drain Sewer System at large.	\$ 1,320,000	\$ (35,000)	\$1,285,000	\$ 40,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds, Due in 14 annual installments at interest ranging between 3.00% through 4.35% for major street improvements.	240,000	(10,000)	230,000	15,000
\$983,236 2002 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest rate of 5.00%.	786,589	(49,162)	737,427	49,162
Capital Lease Agreement \$195,050. To purchase a Vactor sewer cleaner, payable in 5 years to Vactor Manufacturing, Inc., at an interest rate of 3.83%.	79,402	(38,955)	40,447	40,447
Vested Employee Benefits Payable	<u>53,072</u>	<u>(761)</u>	<u>52,311</u>	<u> </u>
Total Governmental Activities	<u>\$ 2,479,063</u>	<u>\$(133,878)</u>	<u>\$2,345,185</u>	<u>\$ 144,609</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 07/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/07</u>	<u>Due Within One Year</u>
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 545,000	\$ (45,000)	\$ 500,000	\$ 45,000
\$585,000, 1996 Series, Special Assessment Limited Tax Bonds, due in annual installments at interest rates between 5% through 8% (Net of Amortization of \$12,479).	225,961	(38,440)	187,521	40,000
\$3,700,000, 2001 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2001 General Obligation Refunding Bonds leaving a balance of \$3,700,000 in 2001. Due in 18 annual installments at interest rates between 3% through 4.7% (Net of Amortization of \$142,281).	3,369,784	(22,065)	3,347,719	215,000
\$550,000, 2004 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 20 years at interest rates between 3.20% and 5.00%.	545,000	(10,000)	535,000	10,000
\$900,000, 2005 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 25 years at interest rates between 3.00% and 5.00%.	880,000	(20,000)	860,000	20,000
Vested Employee Benefits Payable	<u>2,458</u>		<u>2,458</u>	
Total Business-Type Activities	<u><u>\$5,568,203</u></u>	<u><u>\$ (135,505)</u></u>	<u><u>\$ 5,432,698</u></u>	<u><u>\$ 330,000</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 07/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/07</u>	<u>Due Within One Year</u>
<u>Downtown Development Authority (DDA)</u>				
\$1,945,000, 1999 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 25 annual installments at interest rates ranging between 3.4% through 4.95%.	\$ 1,780,000	\$ (65,000)	\$ 1,715,000	\$ 70,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 2004 DDA Refunding Bonds leaving a balance due of \$405,000 in 2004. Due in 20 annual installments at interest rates between 2.0% through 5.0%.	<u>380,000</u>	<u>(15,000)</u>	<u>365,000</u>	<u>15,000</u>
Total Downtown Development Authority	<u>\$ 2,160,000</u>	<u>\$ (80,000)</u>	<u>\$ 2,080,000</u>	<u>\$ 85,000</u>
<u>Economic Development Coporation (EDC)</u>				
Mortgage payable \$490,000. To purchase a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 15 years at an interest rate of 5.75%.	<u>\$ 423,945</u>	<u>\$ (40,952)</u>	<u>\$ 382,993</u>	<u>\$ 43,830</u>
Total Economic Development Corporation	<u>\$ 423,945</u>	<u>\$ (40,952)</u>	<u>\$ 382,993</u>	<u>\$ 43,830</u>
Total Component Unit Activities	<u>\$ 2,583,945</u>	<u>\$ (120,952)</u>	<u>\$ 2,462,993</u>	<u>\$ 128,830</u>
Total Reporting Entity Activities	<u>\$10,631,211</u>	<u>\$ (390,335)</u>	<u>\$10,240,876</u>	<u>\$ 603,439</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the city's debt obligations outstanding at June 30, 2007, are as follows:

Annual Debt Service Requirements--Governmental Activities

General Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

Year	Principal 1-May	Interest		Annual Total
		1-May	1-Nov	
2007			\$ 31,109	\$ 31,109
2008	\$ 40,000	\$ 31,109	30,209	101,318
2009	45,000	30,209	29,196	104,405
2010	50,000	29,196	28,071	107,267
2011-2015	335,000	126,555	118,817	580,372
2016-2020	545,000	77,139	63,659	685,798
2021-2022	270,000	10,423	3,570	283,993
Total	<u>\$1,285,000</u>	<u>\$304,631</u>	<u>\$ 304,631</u>	<u>\$1,894,262</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

<u>Year</u>	<u>Principal 1-Aug</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Aug</u>	<u>1-Feb</u>	
2007	\$ 15,000	\$ 4,366		\$ 19,366
2008	15,000	4,141	\$ 3,916	23,057
2009	15,000	3,916	3,688	22,604
2010	15,000	3,688	3,436	22,124
2011-2015	95,000	13,821	11,985	120,806
2016-2018	<u>75,000</u>	<u>3,219</u>	<u>1,619</u>	<u>79,838</u>
Total	<u>\$230,000</u>	<u>\$33,151</u>	<u>\$24,644</u>	<u>\$ 287,795</u>

2002 Tobias/Linn Road Special Assessment

Date of Issue: November 1, 2002

Amount: \$983,236

<u>Year</u>	<u>Principal Nov</u>	<u>Interest Nov</u>	<u>Annual Total</u>
2007	\$ 49,162	\$ 36,871	\$ 86,033
2008	49,162	34,413	83,575
2009	49,162	31,955	81,117
2010	49,162	29,497	78,659
2011-2015	245,810	110,615	356,425
2016-2020	245,810	49,161	294,971
2021	<u>49,159</u>	<u>2,458</u>	<u>51,617</u>
Total	<u>\$737,427</u>	<u>\$294,970</u>	<u>\$1,032,397</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Vactor Capital Lease Payable

Date of Issue: June 25, 2003

Amount: \$195,050

<u>Year</u>	<u>Principal 28-July</u>	<u>Interest 28-July</u>	<u>Annual Total</u>
2007	<u>\$40,447</u>	<u>\$1,549</u>	<u>\$41,996</u>
Total	<u><u>\$40,447</u></u>	<u><u>\$1,549</u></u>	<u><u>\$41,996</u></u>

Annual Principal and Interest Requirements--Business-Type Funds

The enterprise funds' annual requirements to pay the principal and interest on the city's direct long-term debt obligations outstanding at June 30, 2007, are as follows:

Revenue Bonds Water/Sewer Improvements, Series 1996 (Sewer Fund)

Date of Issue: February 26, 1996

Amount: \$850,000

<u>Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2007			\$13,789	\$ 13,789
2008	\$ 45,000	\$13,789	12,619	71,408
2009	45,000	12,619	11,438	69,057
2010	50,000	11,438	10,100	71,538
2011-2015	290,000	35,494	27,389	352,883
2016	<u>70,000</u>	<u>1,995</u>		<u>71,995</u>
Total	<u><u>\$500,000</u></u>	<u><u>\$75,335</u></u>	<u><u>\$75,335</u></u>	<u><u>\$ 650,670</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

1996 Sewer Special Assessment Bonds (Sewer Fund)

Date of Issue: November 1, 1996

Amount: \$585,000

Unamortized Bond Discount at June 30, 2007: \$12,479

Current Year Amortized Cost: \$1,560

Year	Principal	Interest		Annual
	1-Nov	1-May	1-Nov	Total
2007	\$ 40,000		\$ 5,000	\$ 45,000
2008	40,000	\$ 4,000	4,000	48,000
2009	40,000	3,000	3,000	46,000
2010	40,000	2,000	2,000	44,000
2011	40,000	1,000	1,000	42,000
Total	<u>\$200,000</u>	<u>\$10,000</u>	<u>\$15,000</u>	<u>\$225,000</u>

General Obligation Unlimited Tax Refunding Bonds, Series 2001

Date of Issue: September 27, 2001

Amount: \$3,700,000

Unamortized Bond Discount at June 30, 2007: \$142,281

Current Year Amortized Cost: \$12,935

Year	Principal	Interest		Annual
	1-Nov	1-May	1-Nov	Total
2007	\$ 215,000		\$ 77,287	\$ 292,287
2008	180,000	\$ 72,987	72,987	325,974
2009	205,000	69,274	69,274	343,548
2010	235,000	64,918	64,918	364,836
2011-2015	1,690,000	233,834	233,834	2,157,668
2016-2017	965,000	34,315	34,315	1,033,630
Total	<u>\$3,490,000</u>	<u>\$475,328</u>	<u>\$552,615</u>	<u>\$4,517,943</u>

Defeased Debt

In 2001, the city defeased the 1991 Series Bonds by placing the proceeds of new bonds (\$3,700,000) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, \$3,400,000 of 1991 series bonds outstanding are considered defeased.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)2004 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: December 27, 2004

Amount: \$550,000

Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2007			\$ 12,248	\$ 12,248
2008	\$ 10,000	\$ 12,248	11,998	34,245
2009	10,000	11,998	11,748	33,745
2010	15,000	11,748	11,508	38,255
2011-2015	80,000	54,854	53,355	188,209
2016-2020	105,000	45,845	43,582	194,427
2021-2025	105,000	32,729	30,233	167,962
2026-2030	<u>210,000</u>	<u>26,250</u>	<u>21,000</u>	<u>257,250</u>
Total	<u>\$535,000</u>	<u>\$195,671</u>	<u>\$195,670</u>	<u>\$926,341</u>

2005 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: June 1, 2005

Amount: \$900,000

Fiscal Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2007			\$ 18,869	\$ 18,869
2008	\$ 20,000	\$ 18,869	18,554	57,423
2009	25,000	18,554	18,148	61,701
2010	25,000	18,148	17,729	60,876
2011	25,000	17,729	17,298	60,026
2012-2016	140,000	81,575	78,907	300,482
2017-2021	180,000	65,783	61,890	307,673
2022-2026	225,000	43,844	38,607	307,451
2027-2030	<u>220,000</u>	<u>14,125</u>	<u>8,625</u>	<u>242,750</u>
Total	<u>\$860,000</u>	<u>\$278,626</u>	<u>\$ 278,625</u>	<u>\$1,417,251</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Annual Debt Service Requirements--Component Units

The annual requirements to pay the principal and interest on the component units direct long-term debt obligations outstanding at June 30, 2007, are as follows:

1999 Downtown Development Refunding Bonds

Date of Issue: May 20, 1999

Amount: \$1,945,000

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2007	\$ 70,000		\$ 40,084	\$ 110,084
2008	65,000	\$ 38,614	38,614	142,228
2009	70,000	37,216	37,216	144,432
2010	75,000	35,711	35,711	146,422
2011	80,000	34,099	34,099	148,198
2012-2016	465,000	141,628	141,628	748,256
2017-2021	605,000	80,975	80,975	766,950
2022-2023	285,000	10,643	10,643	306,286
Total	<u>\$ 1,715,000</u>	<u>\$ 378,886</u>	<u>\$ 418,970</u>	<u>\$2,512,856</u>

2004 Downtown Development Refunding Bonds

Date of Issue: February 18, 2004

Amount: \$405,000

Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2007	\$ 15,000		\$ 7,578	\$ 22,578
2008	20,000	\$ 7,410	7,410	34,820
2009	20,000	7,135	7,135	34,270
2010	20,000	6,835	6,835	33,670
2011	20,000	6,510	6,510	33,020
2012-2016	105,000	26,570	26,570	158,140
2017-2021	110,000	15,475	15,475	140,950
2022-2023	55,000	2,000	2,000	59,000
Total	<u>\$365,000</u>	<u>\$71,935</u>	<u>\$79,513</u>	<u>\$516,448</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

On February 8, 2004, the city issued \$405,000 in Downtown Development Refunding Bonds, Series 2004, with an average interest rate of 3.755 percent to refund \$365,000 of outstanding 1994 Downtown Development Bonds, Series 1994, with an average interest rate of 6.772 percent. The net proceeds of \$384,429 (after the payment of \$20,751 in underwriting fees and related bond issuance costs), were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the component unit column of the Statement of Net Assets. The city refunded the 1994 Series bonds to reduce its total debt service payments over the next 20 years by \$77,914 and resulted in an economic gain of \$51,649.

Economic Development Corporation (EDC)

Note Payable--Real Estate

Date of Issue: September 29, 2004

Amount: \$490,000

<u>Ended 30-Jun</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Annual Total</u>
2008	\$ 43,830	\$ 21,550	\$ 65,380
2009	46,510	18,870	65,380
2010	49,354	16,026	65,380
2011	52,372	13,008	65,380
2012	55,575	9,805	65,380
2013-2015	<u>135,352</u>	<u>9,318</u>	<u>144,670</u>
Total	<u>\$382,993</u>	<u>\$ 88,577</u>	<u>\$471,570</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed a mortgage from the General Fund. On September 29, 2004, the city refinanced the old mortgage, which had a balance of \$487,791 on June 30, 2004. The new loan balance of \$490,000 is payable in 120 monthly installments beginning on October 29, 2004. The interest rate on this loan is 5.95% for the first five years; thereafter, the fixed rate is the greater of (a) 5.95% or (b) two percentage points over the rate on five year U.S. Treasury obligation existing on the fifth anniversary of the date of the note.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE I--LONG-TERM DEBT (Continued)

Debt Covenants

The city's five revenue bonds issued include covenants to set aside amounts in bond reserve funds. At June 30, 2007, there was \$6,906, \$13,327, \$77,880, \$44,294 and \$44,915 in separate bank accounts for the bond reserves for the 2004 DDA Refunding Bond, 1994 DDA Water and Sewer Improvement Revenue Bonds, 1996 Water and Sewer Improvement Revenue Bonds, 2004 Water and Sewer Improvement Revenue Bonds, and the 2005 Water and Sewer Improvement Revenue Bonds, respectively. These bonds reserves are reported as "Restricted Cash" in the Statement of Net Assets for the respective funds.

No Commitment Debt

Excluded from the long-term debt are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the city. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the city's financial statements. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. The amount outstanding at June 30, 2007 is \$300,000.

NOTE J--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The city has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2007, the accumulated vested vacation and sick leave benefits of the city's employees were as follows:

Vested Employee Benefits Payable--Primary Government

	Sick/Personnel Leave	Vacation Leave	Total
General Government	\$ 5,693	\$ 10,749	\$ 16,442
Public Safety	6,164	7,744	13,908
Public Works--General Fund	8,128	13,833	21,961
Public Works--Sewer Fund	1,473	985	2,458
Total	<u>\$ 21,458</u>	<u>\$ 33,311</u>	<u>\$ 54,769</u>

These amounts are reported in the Statement of Net Assets as a noncurrent liability in the governmental (General Government and Public Works) and business-type activities (Public Works--Sewer Enterprise Fund).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE J--COMPENSATED ABSENCES (Continued)

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the city's labor agreements and personnel policy.

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

Sick leave is earned by all city employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement, employees are paid one-half of their accumulated unused sick leave.

NOTE K--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City of Williamston is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for General employees is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for Non-Union employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for Police and Non-Union Classified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a), State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

General employees contribute 4.75%, Police contribute 8.00%, Non-Union employees contribute 7.00% and Non-Union Classified employees contribute 9.90% of their annual compensation, respectively. The city's pension contributions of covered payroll for the period ending December 31, 2006 were 5.93% for General employees, 20.49% for Police, 6.58% for Non-Union Employees, and 0.00% for Non-Union Classified employees, respectively.

If a member leaves the employment of the municipality or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2006, the city's contributions totaled \$109,160 and the employee contributions totaled \$65,312; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004 and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 85,279	100%	\$0
2005	101,858	100%	\$0
2006	109,160	100%	\$0

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2004	\$2,103,196	\$3,027,290	\$ 924,094	69%	\$ 878,927	105%
12/31/2005	2,195,366	3,261,272	1,065,906	67%	960,057	111%
12/31/2006	2,351,728	3,471,017	1,119,289	68%	944,214	119%

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

The City of Williamston offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the ICMA Retirement Corporation for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the city's financial statements. The city also has a 401A Qualified Plan, which covers only a former city manager. The custodial account is also held by the ICMA Retirement Corporation.

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The city and its component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions, and injuries to employees. The city participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (Continued)

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE N--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that cities report all Federal and State grants pertaining to their Major Street Fund and Local Street Fund. During the fiscal year ended June 30, 2007, the Federal aid received and expended by the city was \$364,098 for contracted projects in the Major Street Fund. The city neither received nor expended any Federal money for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the cities, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by city employees or private contractors paid for and administrated by the city.

NOTE O--SUBSEQUENT EVENT

On October 18, 2007 a tornado caused extensive damage within the City of Williamston. As of October 29, 2007, city officials estimate the city will incur storm clean up costs between \$125,000 and \$200,000. The city is hopeful it can obtain State and Federal aid to help offset these costs.

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Fund Balance--July 1, 2006	\$ 905,212	\$ 937,859	\$ 937,859	-
Resources (Inflows)				
Property Taxes				
Current Property Taxes	1,643,000	1,643,000	1,638,634	\$ (4,366)
Mobile Home Specific Taxes	900	900	1,580	680
Penalties and Interest on Taxes	15,500	15,500	17,757	2,257
Property Tax Administration Fees	65,000	65,000	67,737	2,737
Total Property Taxes	1,724,400	1,724,400	1,725,708	1,308
Licenses and Permits				
Liquor Licenses	2,000	2,000	1,705	(295)
Cable Franchise Fee	16,000	16,000	17,234	1,234
Other Licenses and Permits	500	500	1,265	765
Total Licenses and Permits	18,500	18,500	20,204	1,704
State Grants				
Act 302 Officer Training	750	750	1,508	758
State Shared Revenue	322,738	322,738	312,459	(10,279)
Total State Grants	323,488	323,488	313,967	(9,521)
Charges for Services				
General Sales	2,000	2,000	1,995	(5)
Garbage Bag Sales	4,500	4,500	6,386	1,886
OUIL Alcohol Cost Recovery	-	-	141	141
Police Reports and Service Fees	6,500	6,500	9,686	3,186
Miscellaneous	250	250	765	515
Total Charges for Services	13,250	13,250	18,973	5,723
Fines and Forfeitures				
Traffic Fines	4,500	4,500	-	(4,500)
Parking Fines and Civil Infractions	4,000	4,000	6,793	2,793
Total Fines and Forfeitures	8,500	8,500	6,793	(1,707)
Interest and Rentals				
Interest Earned	15,000	15,000	56,064	41,064
Equipment Rental	75,000	75,000	167,355	92,355
Total Interest and Rentals	90,000	90,000	223,419	133,419

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007

EXHIBIT K
(CONTINUED)

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Other Revenue				
Sidewalk Special Assessments	-	-	369	369
Sale of Capital Assets	60,000	60,000	63,686	3,686
Donations	10,000	10,000	10,317	317
Gain on Sale of Capital Assets	7,500	7,500	9,424	1,924
Administrative Reimbursements	206,500	206,500	206,500	-
Refunds and Reimbursements	8,500	8,500	33,280	24,780
Total Other Revenue	292,500	292,500	323,576	31,076
Amounts Available for Appropriation	3,375,850	3,408,497	3,570,499	162,002
Charges to Appropriations (Outflows)				
General Government				
City Council	29,300	29,300	22,888	6,412
City Manager	180,000	180,000	158,499	21,501
Clerk	83,500	83,500	73,984	9,516
Treasurer	191,170	191,170	164,432	26,738
Assessor	56,670	56,670	48,752	7,918
Elections	32,700	32,700	18,307	14,393
Buildings and Grounds	243,250	263,250	268,190	(4,940)
Attorney	60,000	60,000	49,926	10,074
Cemetery Board	12,000	12,000	12,000	-
Wheatfield Township 425 Revenue Sharing	20,000	20,000	16,925	3,075
Public Safety				
Police	530,095	530,095	536,640	(6,545)
Ingham County Hazmat Team	500	500	500	-
Public Works				
Department of Public Works	40,500	25,500	19,284	6,216
Equipment Maintenance	84,000	64,000	59,520	4,480
Sidewalks	32,400	12,400	1,611	10,789
Street Lighting	55,000	55,000	54,018	982
City Tree Service	14,100	14,100	13,571	529
Leaf and Grass Collection	61,500	61,500	55,411	6,089
Tobias Drain Assessment	93,000	93,000	88,808	4,192
Community and Economic Development				
Planning Commission	88,100	88,100	80,760	7,340
Community and Economic Development Administration	80,500	80,500	65,368	15,132
Recreation and Cultural				
Parks and Recreation	69,500	74,500	79,451	(4,951)
Library	12,000	12,000	9,017	2,983
Red Cedar Recreation Association	5,500	5,500	4,760	740
Capital Outlay				
New Equipment	375,000	375,000	151,740	223,260
Debt Service				
Principal	38,955	38,955	38,955	-
Interest and Fiscal Fees	3,045	3,045	3,041	4
Interfund Transfers (Out)--Primary Government	220,000	220,000	220,000	-
Total Charges to Appropriations	2,712,285	2,682,285	2,316,358	365,927
Fund Balance--June 30, 2007	\$ 663,565	\$ 726,212	\$ 1,254,141	\$ 527,929

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2007

EXHIBIT L

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Federal Grants--Critical Bridge	\$ 296,000	\$ 296,000	\$ 254,015	\$ (41,985)
Federal Grants--Surface Transportation Program			110,083	110,083
Charges for Services				-
MTF Distributions	160,000	160,000	154,296	(5,704)
Critical Bridge	-	-	47,628	47,628
Metro Act	-	-	9,535	9,535
Interest and Rentals	1,500	1,500	7,131	5,631
Other Revenue	-	-	936	936
Total Revenues	457,500	457,500	583,624	126,124
Expenditures				
Public Works				
Preservation/Structural Improvements	652,000	735,500	758,264	(22,764)
Surface Maintenance	21,622	21,622	21,890	(268)
Sweeping/Flushing	21,101	15,101	21,955	(6,854)
Bridge Maintenance	1,000	14,125	-	14,125
Traffic Control	7,229	7,229	4,731	2,498
Winter Maintenance	43,288	23,288	20,167	3,121
Administration	2,100	7,600	6,966	634
Total Expenditures	748,340	824,465	833,973	(9,508)
Excess of Revenues Over (Under) Expenditures	(290,840)	(366,965)	(250,349)	116,616
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	(5,500)			-
Total Other Financing Sources (Uses)	(5,500)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(296,340)	(366,965)	(250,349)	116,616
Fund Balance--July 1, 2006	344,287	414,912	414,912	-
Fund Balance--June 30, 2007	\$ 47,947	\$ 47,947	\$ 164,563	\$ 116,616

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2007

EXHIBIT M

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants--MTF Distributions	\$ 52,750	\$ 52,750	\$ 53,392	\$ 642
Interest and Rentals	500	500	2,315	1,815
Other Revenue	100	100	-	(100)
Total Revenues	53,350	53,350	55,707	2,357
Expenditures				
Public Works				
Surface Maintenance	23,647	23,647	26,202	(2,555)
Sweeping/Flushing	15,080	15,080	20,854	(5,774)
Bridge Maintenance	13,624	13,624	1,650	11,974
Traffic Control	5,142	5,142	2,448	2,694
Winter Maintenance	31,047	31,047	19,188	11,859
Administration	2,100	7,100	6,638	462
Total Expenditures	90,640	95,640	76,980	18,660
Excess of Revenues Over (Under) Expenditures	(37,290)	(42,290)	(21,273)	21,017
Other Financing Sources (Uses)				
Interfund Transfers In	135,000	135,000	135,000	-
Interfund Transfers (Out)	(113,160)	(108,160)	(108,160)	-
Total Other Financing Sources (Uses)	21,840	26,840	26,840	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(15,450)	(15,450)	5,567	21,017
Fund Balance--July 1, 2006	85,520	85,520	85,520	-
Fund Balance--June 30, 2007	\$ 70,070	\$ 70,070	\$ 91,087	\$ 21,017

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007**

EXHIBIT N

	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUNDS</u>		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<u>ASSETS</u>				
Accounts Receivable	\$ 625			\$ 625
Due From Other Funds (Primary Government)	48,585	\$ 3	\$ 335	48,923
Total Assets	<u>\$ 49,210</u>	<u>\$ 3</u>	<u>\$ 335</u>	<u>\$ 49,548</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts Payable	\$ 2,741			\$ 2,741
Due to Other Funds (Primary Government)				-
Accrued Liabilities				-
Total Liabilities	<u>2,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,741</u>
Fund Balances				
Reserved for				
Debt Service		3	335	338
Building and Zoning	46,469			46,469
Total Fund Balances	<u>46,469</u>	<u>3</u>	<u>335</u>	<u>46,807</u>
Total Liabilities and Fund Balances	<u>\$ 49,210</u>	<u>\$ 3</u>	<u>\$ 335</u>	<u>\$ 49,548</u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

EXHIBIT O

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
Revenues				
Licenses and Permits	\$ 29,214			\$ 29,214
Charges for Services	10,420			10,420
Total Revenues	39,634	\$ -	\$ -	39,634
Expenditures				
Current				
Public Safety	71,692			71,692
Principal		10,000	35,000	45,000
Interest and Fees		9,182	64,067	73,249
Total Expenditures	71,692	19,182	99,067	189,941
Excess of Revenue Over (Under)				
Expenditures	(32,058)	(19,182)	(99,067)	(150,307)
Other Financing Sources (Uses)				
Interfund Transfers In (Primary Government)	75,500	19,185	88,975	183,660
Interfund Transfers In (Component Unit)			-	-
Total Other Financing Sources (Uses)	75,500	19,185	88,975	183,660
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	43,442	3	(10,092)	33,353
Fund Balance--July 1, 2006	3,027	-	10,427	13,454
Fund Balance--June 30, 2007	\$ 46,469	\$ 3	\$ 335	\$ 46,807

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
ECONOMIC DEVELOPMENT CORPORATION
June 30, 2007**

EXHIBIT P

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 47,162		\$ 47,162
Capital Assets (Net of Accumulated Depreciation)		\$ 823,242	823,242
Total Assets	<u>\$ 47,162</u>	<u>\$ 823,242</u>	<u>\$ 870,404</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 152		\$ 152
Due to Other Funds--Primary Government	29,134		29,134
Other Accrued Liabilities	107		107
Non-Current Liabilities			
Notes Payable			
Due Within One Year		\$ 43,830	43,830
Due in More Than One Year		339,163	339,163
Total Liabilities	<u>29,393</u>	<u>382,993</u>	<u>412,386</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>17,769</u>	<u>(17,769)</u>	<u>-</u>
Total Fund Equities	<u>17,769</u>	<u>(17,769)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 47,162</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		440,249	440,249
Restricted for Economic Development Programs		17,769	17,769
Total Net Assets		<u>\$ 458,018</u>	<u>\$ 458,018</u>

CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
For the Year Ended June 30, 2007

EXHIBIT Q

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Charges for Services	\$ 679		\$ 679
Interest and Rents	68,930		68,930
Other Revenues	17,124	\$ (14,415)	2,709
Total Revenue	86,733	(14,415)	72,318
Expenditures			
Community and Economic Development	27,672	34,510	62,182
Capital Outlay	16,941	(16,941)	-
Debt Service			
Principal	40,952	(40,952)	-
Interest	24,428	-	24,428
Total Expenditures	109,993	(23,383)	86,610
Excess of Revenue Over (Under) Expenditures	(23,260)	8,968	(14,292)
Fund Balance/Net Assets--Beginning of Year	41,029	431,281	472,310
Fund Balance/Net Assets--End of Year	\$ 17,769	\$ 440,249	\$ 458,018

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
TAX INCREMENT FINANCE AUTHORITY 2A
June 30, 2007**

EXHIBIT R

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 8,267		\$ 8,267
Investments	105,750		105,750
Accrued Interest Receivable	3,082		3,082
Due From Other Funds--Primary Government	3,126		3,126
Capital Assets (Net of Accumulated Depreciation)		\$ 113,162	113,162
Total Assets	<u>\$ 120,225</u>	<u>\$ 113,162</u>	<u>\$ 233,387</u>
<u>LIABILITIES</u>			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>120,225</u>	<u>(120,225)</u>	<u>-</u>
Total Fund Equities	<u>120,225</u>	<u>(120,225)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 120,225</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		113,162	113,162
Restricted for Tax Increment Finance Plans		<u>120,225</u>	<u>120,225</u>
Total Net Assets		<u>\$ 233,387</u>	<u>\$ 233,387</u>

CITY OF WILLIAMSTON**EXHIBIT S**

**STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
TAX INCREMENT FINANCE AUTHORITY 2A
For the Year Ended June 30, 2007**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Interest and Rents	\$ 5,850		\$ 5,850
Total Revenue	5,850	\$ -	5,850
Expenditures			
Community and Economic Development	15,001	1,863	16,864
Capital Outlay		-	-
Total Expenditures	15,001	1,863	16,864
Excess of Revenue Over (Under) Expenditures	(9,151)	(1,863)	(11,014)
Other Financing Sources			
Transfers (Out)--Primary Government	(13,480)		(13,480)
Total Other Financing Sources	(13,480)	-	(13,480)
Excess of Revenues and Other Financing Sources Over Expenditures	(22,631)		
Change in Net Assets		(1,863)	(24,494)
Fund Balance/Net Assets--Beginning of Year	142,856	115,025	257,881
Fund Balance/Net Assets--End of Year	\$ 120,225	\$ 113,162	\$ 233,387

CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
TAX INCREMENT FINANCE AUTHORITY 2B
June 30, 2007

EXHIBIT T

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 46,706		\$ 46,706
Investments	331,405		331,405
Accrued Interest Receivable	2,915		2,915
Capital Assets (Net of Accumulated Depreciation)		\$ 209,022	209,022
Total Assets	<u>\$ 381,026</u>	<u>\$ 209,022</u>	<u>\$ 590,048</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 5,587		\$ 5,587
Total Liabilities	<u>5,587</u>	<u>\$ -</u>	<u>5,587</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	<u>375,439</u>	<u>(375,439)</u>	<u>-</u>
Total Fund Equities	<u>375,439</u>	<u>(375,439)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 381,026</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		209,022	209,022
Restricted for Tax Increment Finance Plans		<u>375,439</u>	<u>375,439</u>
Total Net Assets		<u>\$ 584,461</u>	<u>\$ 584,461</u>

CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
TAX INCREMENT FINANCE AUTHORITY 2B
For the Year Ended June 30, 2007

EXHIBIT U

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Interest and Rents	\$ 17,998		\$ 17,998
Total Revenue	17,998	\$ -	17,998
Expenditures			
Community and Economic Development	64,578	5,957	70,535
Total Expenditures	64,578	5,957	70,535
Excess of Revenue Over (Under) Expenditures	(46,580)	(5,957)	(52,537)
Change in Net Assets		(5,957)	(52,537)
Fund Balance/Net Assets--Beginning of Year	422,019	214,979	636,998
Fund Balance/Net Assets--End of Year	\$ 375,439	\$ 209,022	\$ 584,461

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY
June 30, 2007**

EXHIBIT V

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 55,447		\$ 55,447
Investments	86,684		86,684
Due From Other Funds--Primary Government	2,288		2,288
Restricted Cash	6,906		6,906
Capital Assets (Net of Accumulated Depreciation)		\$ 1,103,311	1,103,311
Total Assets	\$ 151,325	\$ 1,103,311	\$ 1,254,636
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 9,652		\$ 9,652
Accrued Liabilities	193		193
Non-Current Liabilities			
Bonds Payable			
Due Within One Year		\$ 85,000	85,000
Due in More Than One Year		1,995,000	1,995,000
Total Liabilities	9,845	2,080,000	2,089,845
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balances--Unreserved	141,480	(141,480)	-
Total Fund Equities	141,480	(141,480)	-
Total Liabilities and Fund Balance	\$ 151,325		
Net Assets			
Invested in Capital Assets--Net of Related Debt		738,311	738,311
Restricted for Downtown Development Activities		(1,573,520)	(1,573,520)
Total Net Assets		\$ (835,209)	\$ (835,209)

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CITY OF WILLIAMSTON

EXHIBIT W

**STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
DOWNTOWN DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2007**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Property Taxes	\$ 412,028		\$ 412,028
Interest and Rents	1,972		1,972
Total Revenue	414,000	\$ -	414,000
Expenditures			
Community and Economic Development	129,935	18,974	148,909
Capital Outlay	24,000	(24,000)	-
Debt Service			
Principal	80,000	(80,000)	-
Interest	97,158	-	97,158
Total Expenditures	331,093	(85,026)	246,067
Excess of Revenue Over (Under) Expenditures	82,907	85,026	167,933
Change in Net Assets		85,026	167,933
Fund Balance/Net Assets--Beginning of Year	58,573	(1,061,715)	(1,003,142)
Fund Balance/Net Assets--End of Year	\$ 141,480	\$ (976,689)	\$ (835,209)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

October 11, 2007

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance With Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of Williamston's basic financial statements and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Williamston's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the City of Williamston's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Williamston's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the city's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the city's financial statements that is more than inconsequential will not be prevented or detected by the city's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the city's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williamston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as Finding 2007-01.

This report is intended solely for the information of the City of Williamston Council, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

SCHEDULE OF FINDINGS

STATUTORY COMPLIANCE

Credit Card Policy

Finding 2007-01

Condition: The City of Williamston is using credit cards without having a credit card policy adopted.

Criteria: Public Act 266 of 1995 requires a local unit to adopt, by resolution, a written policy that provides all of the following:

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business.
- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices before payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

Directive: We direct the city to adopt a credit card policy that includes the items listed above.